

Message Text

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PAGE 01 CALCUT 00462 200415Z

ACTION EB-08

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TO AMEMBASSY NEW DELHI

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AMCONSUL BOMBAY

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E.O. 11652: NA

TAGS: ENRG, BTIO, IN

SUBJECT: OFFSHORE EXPLORATION IN THE BAY OF BENGAL

REF: A. 76 CALCUTTA 1569; B. 77 CALCUTTA 0930

1. WE HAVE LEARNED FROM SENIOR OFFICIALS OF OIL INDIA LTD. (OIL) THAT SEVERAL FIRMS FROM THE U.K., WEST GERMANY, AND U.S.A. HAVE OFFERED TO ASSIST OIL IN ITS FIRST EVER VENTURE FOR OFFSHORE EXPLORATION IN THE BAY OF BENGAL. OIL HAS, HOWEVER, SELECTED THE DELTA SEISMIC COMPANY, AN AMERICAN FIRM BASED IN SINGAPORE, TO MAKE A SEISMIC SURVEY FOR COLLECTION OF SEISMIC DATA IN THE MAHANADI DELTA IN ORISSA. THE SEISMIC SURVEY, ESTIMATED TO COST \$700,000 IS EXPECTED TO BE COMPLETED BY JULY 1978.

2. ACCORDING TO OIL OFFICIALS, THE GOI IS LIKELY TO APPROVE A SEPARATE CONTRACT BETWEEN OIL AND AN AMERICAN FIRM, PREFERABLY DELTA, FOR COMPUTER ANALYSIS AND INTER-
UNCLASSIFIED

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PAGE 02 CALCUT 00462 200415Z

PRETATION OF THE SEISMIC DATA WHICH WILL BE COLLECTED IN THE NEXT FOUR MONTHS. THE VALUE OF THE CONTRACT FOR COMPUTER PROCESSING OF THE SEISMIC

DATA IS ESTIMATED AT \$800,000.

3. WE UNDERSTAND THAT THE GOI IS WILLING TO ALLOCATE

NECESSARY FOREIGN EXCHANGE WHICH OIL WILL REQUIRE IN THE COMING YEARS FOR OFFSHORE EXPLORATION. PRELIMINARY ESTIMATES SHOW THAT TOTAL COST OF OIL'S OFFSHORE PROJECT MAY EXCEED RS 240 MILLION AND THE FOREIGN EXCHANGE COMPONENT IS ESTIMATED ABOUT TWO-THIRDS OF THE TOTAL PROJECT COST.

4. OIL APPEARS EAGER TO UTILIZE ITS EXPERTISE, TECHNICAL AND FINANCIAL RESOURCES AND EXTEND ACTIVITIES IN OFFSHORE DRILLING IN ORDER TO LOCATE NEW SOURCES OF PETROLEUM. OIL CANNOT EXPAND ITS AREAS FOR ONSHORE DRILLING IN ASSAM OR INCREASE ITS AVERAGE ANNUAL CRUDE PRODUCTION OF THREE MILLION TONS, AS THE GOI HAS RESTRICTED OIL'S LICENSING AREAS IN NORTHEAST INDIA AND PERMITTED THE OIL AND NATURAL GAS COMMISSION (ONGC) TO EXPAND THE ONSHORE EXPLORATION, WITH SOVIETS ASSISTANCE, IN ALL OF EASTERN INDIA INCLUDING ASSAM.

5. OIL HAS BEEN SEEKING IN THE PAST TWO YEARS TO SECURE FOREIGN ASSISTANCE IN OFFSHORE TECHNOLOGY. OIL'S TOP OFFICIALS ATTENDED THE OFFSHORE TECHNOLOGY CONFERENCE IN THE U.S.A. IN 1976 AND 1977 TO LOCATE APPROPRIATE FOREIGN CONTACTS, AND OIL DEPUTED ITS EXPERTS FOR TRAINING AT AN OFFSHORE DRILLING SITE ON THE NORTH SEA IN THE U.K. OIL, WHICH IS NOW EQUALLY UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CALCUT 00462 200415Z

OWNED BY THE GOI AND THE BRITISH FIRM, BURMAH OIL COMPANY (BOC), EXPECTS THAT THE GOI MAY BE ABLE TO OBTAIN THE BOC COMMITMENT FOR TECHNICAL ASSISTANCE IN OIL'S OFFSHORE DRILLING PROGRAM BEFORE THE GOI AGREES TO ACQUIRE BOC SHARES ON CASH PAYMENT. BY WHATEVER MEANS, OIL IS INTERESTED IN OBTAINING AMERICAN AND BRITISH ASSISTANCE, OIL IS NOT VERY FAMILIAR WITH THE TECHNOLOGY FOR OFFSHORE DRILLING.

6. ACCORDING TO A RECENT PRESS REPORT, OIL PLANS TO BEGIN DRILLING TO A TARGETTED DEPTH OF 5,000 METERS FOR THE FIRST OFFSHORE WELL BY OCTOBER 1978, IN 200 METERS OF DEEP WATER IN THE MAHANADI DELTA OF ORISSA. OIL RECENTLY RECEIVED A LICENSE FOR PETROLEUM EXPLORATION OVER 6,800 SQ KILOMETERS OFFSHORE IN ORISSA FOR A PERIOD OF NEXT FOUR YEARS. OIL'S FUTHER GROWTH WILL LARGELY DEPEND ON THE ACHIEVEMENT OF THE OFFSHORE PROJECT.

7. OIL HAS ESTABLISHED A MONITORING CELL HEADED BY C. RATNAM, CHIEF OF GEOLOGY, TO PREPARE PRELIMINARY ACTION PROGRAMS FOR OFFSHORE EXPLORATION, BUT THE

CELL IS STILL OPERATING FROM THE OIL HEADQUARTERS
AT DULIAJAN IN ASSAM. WE EXPECT TO OBTAIN AND
SUBMIT ADDITIONAL INFORMATION ON FUTHER DEVELOP-
MENT OF THIS MAJOR PROJECT FOR OFFSHORE EXPLORATION
BEFORE PRELIMINARY ACTIVITIES FOR OFFSHORE DRILLING
COMMENCE IN ORISSA IN OCTOBER 1978. WE ALSO EXPECT
THAT THIS MAJOR OFFSHORE PROJECT IN EASTERN INDIA
IS LIKELY TO OFFER SUBSTANTIAL TRADE OPPORTUNITIES
TO INTRESTED U.S. FIRMS.
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